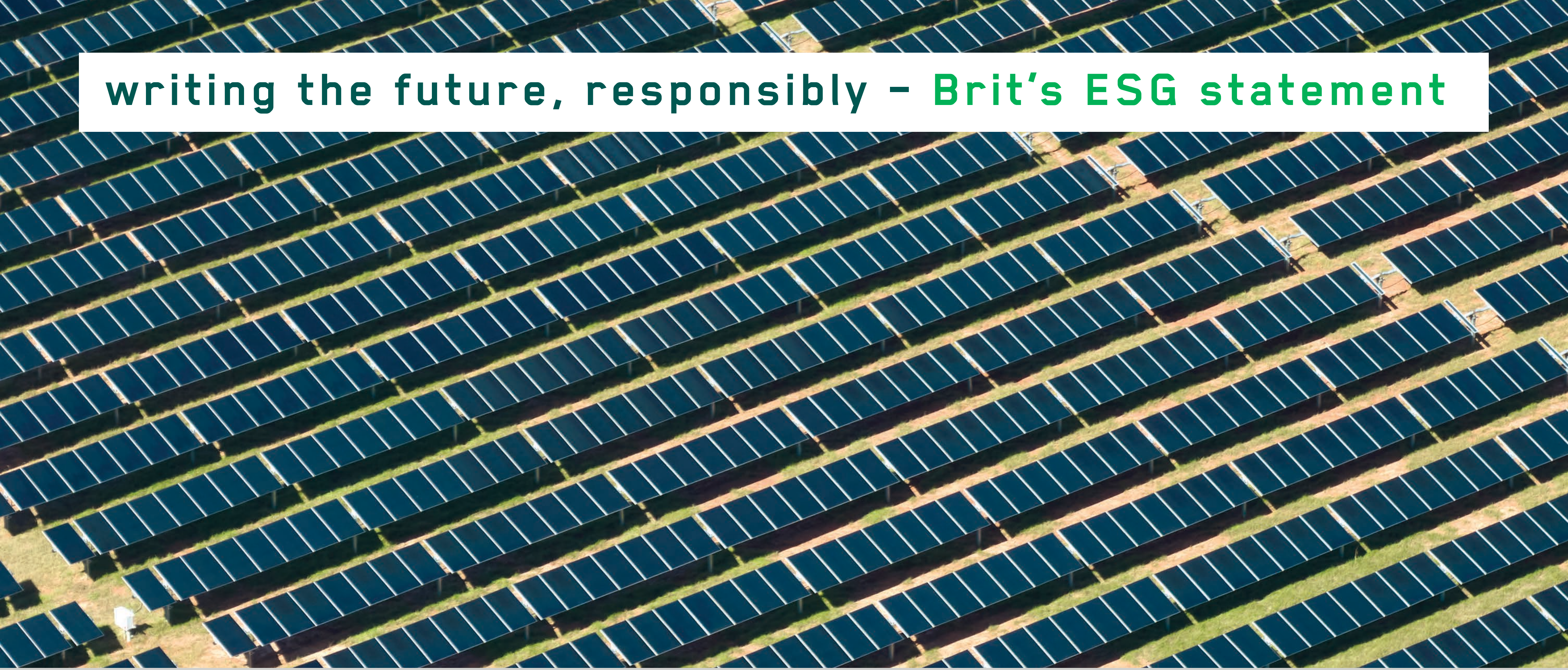
BRIT

writing the future

ClimateWise – submission 2023



writing the future, responsibly – Brit's ESG statement

Brit/Ki's ESG statement

At Brit/Ki, we aim to write the future responsibly. We're committed to having a positive impact on the planet and society – inside and outside of our organisation – actively **supporting our clients, stakeholders, investors and people through our ESG strategy and principles**.

Our ESG strategy rests on four core pillars, designed for the long-term sustainability of our business:

- Reducing our environmental footprint
- Enabling the net zero transition
- Responsible product deployment
- An inclusive culture for our people

Our ESG Strategy is made up of 4 pillars:

1 **Reducing our environmental footprint:** We address climate change by controlling and reducing our carbon emissions through our operations, and procurement teams.
2 **Enabling the net zero transition:** We support our clients in their climate transition whilst having a positive impact on society and the planet, through our underwriting and investment decisions.
3 **Responsible product deployment:** We understand how our products can have a positive impact on society and the planet. We are responsible for how we go to market and conduct our business.
4 **An inclusive culture for our people:** We deliver our vision through our people, with strong focus on leading the industry to an equal, inclusive and diverse culture.

Our ESG strategy is aligned to our overall strategic focus and goals.

We're committed to being a responsible business, developing products that are accessible, inclusive and sustainable. Our ESG approach is focused on reducing any adverse impact on the planet, while mitigating risks from unsustainable environmental, social and governance practices.

We aim to actively provide insurance for clean energies, while at the same time, we expect our customers in carbon-intensive industries to have clear and measurable transition plans. We always want to be honest and transparent, knowing that we won't get everything right, nor will we achieve all our goals tomorrow. Our intention is always to do our best, measure ourselves against our pillars regularly and to go beyond industry-set targets.

We are committed to responsible business practices. Our ESG Committee, made up of people from across the business, oversees our approach, and reports directly to our Executive Committee.

We recognise that we're most effective by acting alongside others in our industry, which is why we're active members of ClimateWise. We're also taking part in ESG initiatives within the Lloyd's market and the Fairfax group.

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our ClimateWise submission 2023 – introduction

Brit is a leading global specialty insurer and reinsurer focused on underwriting complex risks.

We have a long and successful track record of leading an extensive range of insurance and reinsurance programmes, based on rigorous risk selection and a disciplined approach to underwriting. We hire the best people and develop their skills so they can grow with us as a business. Combining technical expertise with industry knowledge, we listen, we share and we collaborate – to create best-in-class insurance solutions for our clients.

We are one of the largest businesses that trades primarily on the Lloyd's of London platform, the world's leading specialist commercial insurance market. We provide highly specialised insurance products to support our clients across a broad range of complex risks, underpinned by our strong underwriting and claims expertise.

Our capabilities and ambition are underpinned by our strong financial position. Our business is underwritten primarily through our wholly-aligned Lloyd's Syndicate 2987, our innovative Ki Syndicate 1618, and the partly-aligned Lloyd's Syndicate 2988, which benefit from Lloyd's ratings of:

- A (Excellent) from A.M. Best
- AA- (Very Strong) from Fitch
- A+ (Strong) from Standard & Poor's

Fairfax owns 86.2% of Brit Limited while the remaining 13.8% is owned by OMERS Administration Corporation (OMERS), the defined benefit pension plan for municipal sector employees in the Province of Ontario, Canada. Fairfax has the option to purchase OMERS' interest in Brit at certain dates starting in October 2023. We believe that Fairfax is an excellent parent for Brit, enabling us to enhance our global product offering.

From 31 December 2022, we had capital resources equal to 152.8% of the management capital requirement needed to support our business. Fairfax has supported our continued capital strength, allowing us to take advantage of business opportunities as they arise. Our capital strength provides the flexibility to allow us to cope with major losses while not deviating from our commitment to fund profitable expansion and to provide attractive returns.

With one of the largest and most diverse portfolios, we underwrite primarily through our Syndicates 2987, 2988 and Ki 1618.

Principle 1 – be accountable

Making the ClimateWise Principles part of our strategy, and how we oversee climate risks and opportunities.

Ensure that the organisation's board is working to incorporate the ClimateWise Principles into business strategy and has oversight of climate risks and opportunities.

Accountability flows through every part of Brit when it comes to climate change, the risks it poses, and the opportunities it presents. The Board of each operating unit has ultimate responsibility for climate change and anything associated with it. It's their job to consider it within our business strategy and the risk management framework.

Since 2014, climate change has been on our Board's agenda. From this point, the Board has focused on developing its understanding of the uncertainty associated with climate change and climate-related risks and opportunities.

The primary board is the Brit Syndicates Limited Board, who in May 2021 for Syndicate 2987 (and 2988), set ESG as a priority that would be embedded within the business and articulated externally. Climate and ESG continue to sit within Brit Syndicates Limited. These topics don't shape the fixed Board agenda, but the Board does discuss climate and ESG as required.

This years' focus has been on re-articulating Brit's ESG strategy, meaning ESG has not predominantly featured in the Board room.

- BSL Investment Committee: ESG/Climate risk has been a standing agenda item since 2021. We provide monthly climate risk metrics which are considered in strategic decisions as relevant.
- BSL Underwriting Committee: receive MI on natural catastrophe risk including regions and perils more prone to climate change. They are responsible for making decisions around managing this risk in line with business appetite. This includes a review of the Brit View of Risk ("BVoR").
- The BSL ROC oversees climate change risk. In December 2022 the BSL Risk Oversight Committee received a climate change update: this focused on current and future initiatives to manage climate risk, including underwriting exposure and climate litigation. It reports to the BSL Board, with membership including three Non-Executive Directors of the Board, including the Chair. It receives an annual update on climate change related financial risks. Where a tolerance is deemed necessary to manage risk for eg on natural catastrophe risk or maximum concentration to a particular asset type, this is recommended to the BSL Board for final approval.

Describe management's (below board-level responsibility) role in assessing and managing climate-related issues.

We've implemented a range of governance changes in response to ESG regulation requirements, including:

- Establishment of ESG Steering Committee,
- Climate Change Risk Working Party,
- Inclusion & Diversity (I&D) Committee

ESG Committee

Brit has a cross-company ESG committee with senior employees from Brit and Ki. They represent Underwriting, Investments, Finance, Risk, Operations, Facilities and Communications, as well as a mix of senior management and more junior staff across the organisation. The committee includes:

- Group Director of Legal and Compliance
- Group Executive Underwriter
- Managing Director, Specialty
- Managing Director, Facilities
- Chief Investment Officer
- Chief Data Officer
- Chief Marketing Officer
- Head of Process Management
- Head of Commercial Management & Outsourcing
- Head of ERM and Analytics
- Head of Underwriting Performance
- Head of Business Development Asia ILS and Capital
- Head of Inclusion and Diversity
- Group Investment Manager
- Group Director of Legal and Compliance
- In-house counsel Head of Claims and Underwriting
- Group Distribution Associate
- Finance and Operations Director
- Senior Manager ERM
- Senior Manager Group Reporting
- Senior Strategy Manager
- Senior Tax Manager
- Strategy Associate
- Claims Reporting Analyst
- Underwriter
- Underwriting Performance Analyst
- Subject Matter Experts Brit and Ki

The committee handles all climate and ESG issues, ranging from strategy development and target setting to responding to supplier audits. The committee meets with an agenda on a monthly basis and takes detailed minutes for approval prior to sharing those with the Executive Committee.

Since November 2022, Lorraine Denny, Chief Engagement Officer has been responsible for ESG at Brit. She participates in ESG committee meetings and represents the ESG agenda at the Executive Committee (EC). The EC meets every month – ESG topics are discussed when relevant.

We look at ESG improvement plans through our activities, deliverables, targets and what resources they'll require. To help this, we joined forces with an ESG consultancy in January 2023 to provide ongoing ESG support during the year.

Ki, the first fully digital, algorithmically driven syndicate, continues to be aligned with Brit on ESG. At the Ki Executive Management Committee, Ki directors meet every month to make sure we're fully aligned on strategy.

Accountability flows through every part of Brit when it comes to climate change.

The Climate Change Risk Working Party was established in response to PRA regulatory requirements under SS3/19 to identify and manage the financial risks from climate change, while integrating this process into the existing risk management framework.

The multidisciplinary Climate Change Risk Working Party ("CCRWP") is responsible for managing the financial risks from climate change. It selects and monitors key metrics across the risk types impacted by climate change (principally natural catastrophe, liability and investment risk). It reports to the BSL Risk Oversight Committee ("ROC"). It provides a forum for identifying and escalating any material risks that require further investigation. The Working Party meets at least twice a year.

A Sustainable Underwriting Working Group was established in Q1 2022 as a sub-set of the ESG Committee to discuss ESG-related matters that could affect underwriting . We're reviewing the operation of the Sustainable Underwriting Working Group and will update once we've made more progress on the Responsible Underwriting Strategy.

Responsibility for identifying and managing financial risks arising from climate change sits with the CRO/Chief Actuary (SMF4 and SMF 20) and is recorded on our Management Responsibilities Map. As part of the SMF role, the CRO/Chief Actuary is responsible for appropriate action across the firm and Committee Structures. An example of how this has been done is through establishing the CCRWP and having climate change risk as an annual agenda item at the ROC. Consideration of climate change is included in policies like the Exposure Management Policy, Investment Policy and CCRWP Terms of Reference.

We did an Internal Audit Review in H2 2022 to get independent assurance that our ESG governance was appropriate, in line with our own ESG strategy and regulatory expectations set out by the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's ESG statements.

The audit covered the following areas:

a) Governance and Oversight (including roles and responsibilities)

Reviewing the design of Brit's ESG governance and oversight framework:

- Appropriate oversight and governance structures.
- Communication channels in place for the Board, ESG Committee and Risk Oversight Committee (ROC) to monitor the ESG framework and support the successful delivery of our ESG strategy, including the inclusion and diversity employee resource groups.
- Roles and responsibilities – individuals and committees responsible for managing ESG risks, including clear ownership of ESG across different functions, eg Investment, Risk and Underwriting. This includes the role of Head of Inclusion and Diversity.
- Documentation that sets out our ESG framework and processes. This covers key aspects of your governance structures, terms of reference, resource capability, Board MI and Board level considerations for financial/non-financial risks in ESG.

b) Strategy and integration

Reviewing the effectiveness of Brit's five-part ESG strategy:

- How it's applied across business units and entities, including the extent of integration into the risk management function.
- The progress made to date and mechanisms to deliver our ESG commitments.
- Review of future plans roadmap to implement the ESG strategy.

c) Metrics and Targets

Reviewing ESG MI produced to:

- Assess MI for governance and oversight purposes.
- Assess metrics and targets in place to manage relevant ESG-related risks and opportunities in investments and underwriting.
- Assess effectiveness and transparency of KPIs in our ESG strategy.

d) Compliance Disclosure

We assessed how we adhere to current ESG regulations, such as compliance with regulatory reporting and relevant financial reporting disclosures.

We've partnered with an external consultancy since January 2023 to help us to define the ESG strategy, measuring our progress relative to peers and to identify the pillars we want to uphold. As we develop the ESG programme this year, this will help us set out our short, medium and long terms goals.

Principle 2 – incorporate climate-related issues into our strategies and investments

At Brit, we see climate-related risks and opportunities through three lenses:

- Enterprise risk management (ERM)
- Underwriting
- Investment

Evaluate the implications of climate change for business performance (including investments) and key stakeholders:

We are clear that climate change will have an impact on our business and all of our stakeholders. We actively consider:

- The potential implications of climate change and sustainability on our investment and underwriting strategies.
- How we should engage more widely on environmental and ethical issues.
- Our own sustainability initiatives.

In 2023 we undertook a materiality assessment to identify the topics that matter most to our internal and external audiences.
We analysed the information from our various sources based on double materiality, in line with evolving best practice. This meant that we considered the impact of each of the ESG and sustainability topics from two dimensions:

- The impact of Brit and Ki activities on their factors.
- The impact of these factors on Brit and Ki's business activities.

Based on this exercise, the three most material issues to Brit are:

1) Environmental Sustainability
2) Sustainable Financial Performance
3) Environmental Risk

We're constantly reviewing the full range of risks impacting our business. We have been doing so with climate-related risks for a number of years and have increasingly moved from a qualitative assessment to quantitative measures and implications. With the rapid increase in relevant data, we expect to see increasingly detailed quantitative analysis – our focus is on both the risks and opportunities.

Climate Risks

Climate change has been recognised as an emerging risk in the ORSA (Own Risk and Solvency Assessment) since 2014, and then as a high priority by Brit's 2018 emerging risks analysis. Its potential impact on the insurance industry is a focus for the wider insurance market and its regulators. Climate risks are also part of our internal audit review scope.

We're managing climate risks with our Risk Management Framework ("RMF") and are embracing the latest regulatory guidance.

As detailed in the last ClimateWise report, we're compliant with regulatory expectations for managing financial risks associated with climate change – PRA SS3/1914. Climate change-related risk management is still an area of focus for us, as well as the various Risk Oversight Committees and Boards.

The three main areas of risk are: **natural catastrophes**, **liability claims** and **investment losses**:

- **Natural catastrophe risks** – climate-related weather events happening more frequently and more severely, for example, hurricanes and wildfires. In 2022 there was again a high level of natural catastrophe activity, with worldwide insured losses estimated at over $140bn, marginally below 2021 levels. As a general insurance business, this risk is considered the most significant. It's most noticeable in the US, which is where we underwrite the majority of our business. We've taken initiatives to optimise the gross portfolio because of these uncertainties. This could mean additional claims that could impact us in the short to medium-term. We monitor scientific studies, while reviewing the completeness of existing models and the Brit View of Risk ("BVoR"). Brit's exposure to natural catastrophe risks is monitored on an ongoing basis by the Risk Management Function. We've put limits in place to make sure we're not over-exposed to the risk.

- Climate change could mean more **liability claims** from climate litigation against our clients. The claims come from firms:
  - Contributing to climate change.
  - Failing to transition to renewables.
  - Greenwashing or directors' breach of fiduciary duties.

  The nature of these claims could impact Brit in the medium to long-term. We have limits on gross underwriting exposure and through reinsurance. While such claims have not generally been successful to date, there is still an ongoing risk.

- **Investment losses** because of industries perceived to be contributing to climate change, or if they're transitioning to a low-carbon economy. This could cause financial markets to fluctuate, but we've got a well-diversified investment portfolio, with the majority of assets being cash, government bonds and investment grade corporate bonds. This significantly mitigates the risk of investment losses. Our monthly investment reports include details on our exposure to climate sensitive sectors.

We're constantly reviewing the full range of risks impacting our business.

Underwriting

Our underwriting ESG strategy started in 2020, when we aligned ourselves with the core principles in the Lloyd's 2020 ESG report and statement, setting out its plan to becoming a sustainable insurance marketplace.

Our underwriters are actively encouraged to consider and assess the ethical, sustainable and governance risks in their portfolio. Our ESG appetite and underwriting considerations are also noted in the Underwriting Guidelines and Class Philosophies. This encourages a suitable level of due diligence in the underwriting process at a product level, reducing exposure to businesses which have poor sustainability practices. In the longer term, these will form part of a referral framework which will be used to influence our business/ growth strategy going forward.

From an underwriting standpoint, we continue to review our products to make sure they promote ESG standards across our client base. The Energy division provides insurance coverage for exposure to renewable energy producers through the Renewable Energy Class, which is planning to continue growing in 2023.

With the potential for more frequent and severe natural catastrophes due to climate change, our Underwriting teams and Exposure Management department continually strive to identify and quantify the potential impact. Uncertainty around climate change-related claims also exists – we monitor this through our Climate Change Risk Working Party.

We are constantly reviewing the opportunities for new products and services to support our clients on their transition journey. We also want to support the new and increased need for people, companies and countries that have new/more climate-related natural disasters.

We've reviewed the historical gross performance of the US Property portfolio and implemented a strategy to improve the level of exposure we have as a syndicate to natural catastrophes.

Investments

We've integrated ESG into our:

- Investment guidelines
- Mandates with external managers
- Reporting

Sustainability is key to our long-term investment approach, which recognises wider environmental, social and governance risks within the investment process, and considers the potential for economic loss from these factors, including the impact of climate change.

Our investment approach also considers their potential opportunities. We might invest in companies that are currently lagging from an ESG perspective, but only if they're improving – they could be much stronger in the future, as well as having a responsible ESG approach.

- We incorporate ESG when choosing managers, making sure they have strong ESG credentials and integrate ESG into their security selection processes.
- Our ESG considerations fall into a multi-asset mandate, which includes a portfolio average minimum – BBB MSCI ESG rating restriction – as well as revenue screens on specific ESG concerns like oil sands, thermal coal and controversial weapons. We've expanded these guidelines to other external mandates, with the aim of having a lower carbon intensity index and to reduce carbon intensity over time.
- Where we select comingled funds or exchange traded funds, we assess the ESG restrictions in the funds, and invest in funds with specific ESG criteria meeting that meets our approach.
- We focus on asset classes where ESG considerations can be most impactful, like equity and corporate bonds, although we recognise the vital role governments have in implementing policy in this area.

We recognise that to fully integrate ESG into the investment strategy, it's important to understand the portfolio exposures. Therefore, we're enhancing our ESG reporting through detailed reports from external managers on the ESG positioning of the portfolios managed on our behalf.

We also perform ESG reviews of the equity positions in our portfolios, as part of our annual review process, to ensure we understand the company's ESG approaches, and to enhance our engagement with the investment manager. Companies need to be making positive changes to mitigate potential negative impacts on its business and/or see potential opportunities as we move towards a lower carbon future. In 2022, we found our underlying companies in our BSL portfolio have a low/medium ESG risk profile, with c.52% of the portfolio having carbon commitments. This year's review is underway and will be available in September.

Our approach also recognises the importance of engagement on ESG issues with our investment managers and their engagement with underlying companies. We've incorporated ESG into our annual due diligence reviews of the investment managers since 2019 and hold regular discussions on the managers' ESG capabilities.

We have ongoing conversations with Fairfax to give us insight into the approach of the full Fairfax family.

The integration of ESG within Ki's investment portfolios also impacts on the funding for the business. The interest rate paid on funding for the Ki Letter of Credit is linked to meeting certain ESG metrics on our investment portfolio.

An ESG update is a standing item on the Investment Committee agendas, including specific deep dives where required. This fits with the increasing importance of responsible investing. We also extended responsible investment training to Non-Executive directors.

2.2

Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

We're managing climate change risk in line with the RMF which we review annually. Regulatory guidance developments are monitored through the committees and working parties. This will continue to be an area of Management, Risk Committee and Board focus, with a multi-disciplinary Climate Change Risk Working Party to consider the financial risks associated with climate change.

Monitoring performance

The table below summarises Brit metrics:

Risk	Metric	
Physical Risk	All perils net aggregate exceedance probability (AEP) as % of economic capital assessment (ECA)	1-in-5
		1-in-30
		1-in-250
Investment Risk	Industry holdings ($'m; % of AUM)	Energy
		Utilities
		Transportation
Litigation Risk	Number of claim notifications	

Risk Overview

A key part of risk management at Brit is the setting of risk tolerances and risk appetite.

- Risk tolerances are set by the Board and represent the maximum amount of risk Brit is willing to accept to meet its strategic objectives.
- Risk appetite is set by management and reflects the maximum amount of risk that Brit wishes to take in the current market environment.

The actual amount of risk is constantly monitored against the tolerances and appetites.

The RMF, including the risk tolerances and appetite, reflects our strategy to make sure risk is accepted where we expect to maximise shareholder value, while protecting policyholders against extreme events. The process applies to all underwriting entities (in particular the Lloyd's syndicates and Brit Re).

Physical risk

We control physical risk from natural catastrophes through Board tolerances and management appetites – these are set annually and monitored quarterly.

The Board tolerances are defined as the maximum net aggregate loss from all perils that the BSL Board is willing to accept at a 1-in-5, 1-in-30 and 1-in-250 return period. Management then sets more granular peril-region appetites at the same three return periods such that the Net All Perils aggregate loss remains within Board appetites.

- We continuously monitor scientific studies.
- We regularly review the completeness of existing models.
- We also review our view of risk, considering historical natural catastrophe trends as well as future expectations.

The BVoR is an in-house natural catastrophe load – we use it to compare our view of natural catastrophe risk with vendor models. We'll adjust expectations where necessary, for example, if there's a change to the US hurricane frequency. Our view of risk feeds into our Solvency II capital assessment. Brit's exposure to natural catastrophe risks is monitored by the Risk Management Function and validated annually as part of the Solvency II Internal Model validation process.

We assess natural catastrophe risk with an external vendor model (AIR) for the most material and established perils. This is common practice for most general insurance firms as they are built by scientists and specialists. The modelling is supplemented using the Brit View of Risk where there is uncertainty or unreliable vendor models. Scenario analysis has identified North American windstorms and wildfires as being the perils that could be most exposed to climate change. Natural catastrophe modelling is leveraged in pricing as well as outwards reinsurance purchasing decisions.

Liability risk

We limit our exposure on gross underwriting exposure and through reinsurance, monitoring the limit every quarter.

Since 2020, we've worked to understand liability risk in these three phases:

- **Phase 1 (Identification)**:
  Underwriters across all divisions were asked to identify liability classes that could be exposed to losses under four scenarios:
  - Contribution to climate change
  - Failure to adapt
  - Failure to disclose
  - Greenwashing and failure to comply

- **Phase 2 (Targeted assessment based on PRA CBES scope)**:
  Scenario analysis based on the PRA's defined scope, taking into account contract wordings. The analysis was limited to 7 PRA scenarios across Brit's top three industries and within four classes of business.

- **Phase 3 (Review of remaining classes)**:
  Scenario analysis completed in 2022 on other class/industry combinations that could be impacted by climate change litigation risk. The scenario found that whilst there may be a link between the impact of climate change and the number of cases, this was not deemed material to the analysis which was focussed on the current balance sheet/underwriting portfolio. Potential losses from plausible scenarios would be negative for P&L but are not outsized relative to other risks (eg natural catastrophes).

Investments

We have a diversified investment portfolio, with limits on exposure to individual issuers. We monitor and report our exposure to concentrated positions, every quarter, to the Investment Committee and Board. Additionally, we've developed metrics to monitor investment exposure to potentially at-risk industries like oil and gas or transport that are reported to the Investment Committee monthly.

In 2021 we began to receive ESG reports from some investment managers and discussed enhanced ESG reporting with other managers. These reports concentrate on understanding the carbon intensity of the portfolio, along with wider ESG scores. They detail the portfolio exposure to carbon sensitive sectors, fossil fuels, reserves intensity and unconventional fossil fuels relative to the benchmark, as well as the top three contributors to emissions and the top and bottom issuers from an ESG perspective. We also discuss with our external investment managers any other climate risk and ESG analysis they can provide, such as the Paris alignment of the portfolio.

Further, as detailed in 2.1, we review our equity positions from an ESG perspective, as part of our annual equity review process. We monitor holdings of industries such as oil and gas, transport and utilities – industries deemed to materially contribute to climate change.

Managers are engaging with this at varying speeds, but overall it's clear they understand the requirements of their clients, so we're confident the available data will improve over time.

Remuneration

Managing the financial risks from climate change is part of managers' objectives. We monitor performance against the objectives every year, which affects remuneration.

Specific climate-related metrics aren't currently incorporated into underwriter remuneration, however adherence to plan is a key criterion in underwriter remuneration. As such, delivery against qualitative expectations will feed into the overall assessment of each underwriter's performance. Compliance with underwriting guidelines is checked through both a peer review process and, periodically, by the Managing Agent's Internal Audit department which is entirely independent of the underwriting units.

Climate metrics/ESG criteria are not currently incorporated into investment remuneration. For our investments & treasury team, since 2021, we have set out ESG objectives, which the team will be measured against, although there is no explicit incorporation into remuneration. Similarly, for our outsourced investment management providers, ESG forms part of our manager review process and as mentioned, we are in the process of integrating ESG considerations into the mandates.

Climate Risk Scenarios

Scenario Analysis

We've conducted Climate Change Risk scenario analysis as part of the annual ORSA process over the past few years. We also took part in the PRA's Climate Biennial Exploratory Scenario (CBES) testing exercise in 2021. We've also done in-house liability risk scenario analysis, building on CBES analysis to; 1) include other classes/industries that were not in CBES scope and 2) include S2988 and S1618.

We did this to understand the potential extent of our exposure to risk, then decide next steps. Three scenarios were designed based on learnings from CBES, desktop analysis and discussion with Underwriting and Legal. The aim of the scenario was to capture the largest potential sources of claims and whether there may be a link between the impact of climate change and the number of cases.

External counsel review of pollution exclusions targeted to S2987's Specialty book (including Energy) was used to support scenario analysis.

Our analysis of Climate Change Risk uses catastrophe modelling, expert judgement, scenario analysis and selected metrics as tools to monitor and manage exposure to climate-related risks. The outputs from these feed into business decisions. Brit is compliant with the PRA Supervisory Statement SS3/19 which sets expectations for firms about their consideration of climate risk.

Capital

We've performed a climate change validation test every year since 2019. It considers whether the SCR appropriately allows for climate change risks in line with current market practice. The test focuses on physical, investment and liability risks as these were identified as the most material risks to Brit. The overall conclusion is that the current approach is reasonable but should continue to be developed as market practice and scientific knowledge evolves.

Scenario Name	Use Case	Root Scenario and Adjustments	Expansion Assumptions	Scope of Analysis	Dynamic Balance Sheet Assumptions
ORSA scenario: unlikely but plausible event	Quantify potential impact of losses from climate change (natural catastrophe, investment and liability) on profit and solvency position over the 3-year planning horizon. A similar scenario is also used in the validation process to assess whether the SCR appropriately captures volatility of the key risks.	Internally developed scenario.	S2987 writes short term policies (majority are annual) so reliance has not been placed on the transition/climate pathway which is a longer term trend. Scenario is based on a specific climate change related event.	Natural catastrophe risk is the most material climate change risk. Liability and investment losses are also a driver, but to a lesser extent. In this scenario, despite significant losses, S2987 remains profitable and solvent over the 3-year planning horizon (albeit with materially reduced profitability).	Analysis performed on a forward-looking three year business plan.
CBES (PRA defined scenario analysis)	Brit participated in the PRA's CBES exercise. The analysis helped us identify the most material and climate change-sensitive perils and industries. It also provided a framework for litigation risk scenario analysis.	The Climate Biennial Exploratory Scenario (CBES) includes three scenarios exploring both transition and physical risks, to different degrees. The exercise considered two possible routes to net-zero UK greenhouse gas emissions by 2050: an 'Early Action' (EA) scenario and a 'Late Action' (LA) scenario. A third 'No Additional Action' (NAA) scenario explores the physical risks if governments around the world fail to enact policy responses to global warming.	The assumptions provided by the PRA were overlaid with Brit's expert judgement to determine the impact on assets and natural catastrophe losses over a 30-year time horizon. Results from the litigation risk scenarios were separately noted.	The impact of climate change on natural catastrophe activity is a key driver of Brit's results. The syndicate has significant exposure to natural catastrophe events, of which the majority is located within North America. S2987 is heavily reinsured with quota share and aggregate excess of loss cover in place. As such the net impact on the Syndicate from increased natural catastrophes is significantly lower than the gross. S2987's investment portfolio is predominately invested in low risk, low duration US and Canadian government bonds and cash. The remainder of the portfolio is invested in a diversified portfolio of investment grade corporates, with a small allocation to equities and funds. Therefore, the portfolio is reasonably resilient in all scenarios.	Static balance sheet assumed in line with PRA requirements.

table *continued*

Scenario Name *continued*	Use Case *continued*	Root Scenario and Adjustments *continued*	Expansion Assumptions *continued*	Scope of Analysis *continued*	Dynamic Balance Sheet Assumptions *continued*
In-house liability risk scenario analysis	Build on CBES analysis to **1)** include other classes/ industries that were not in CBES scope and **2)** include S2988 and S1618. The analysis was performed to understand the potential extent of Brit's exposure and determine suitable next steps.	In-house scenario. Three scenarios designed based on learnings from CBES, desktop analysis and discussion with Underwriting and Legal. Aim is to capture the largest potential sources of claims.	Expansion assumptions were not considered in this analysis. Whilst there may be a link between the impact of climate change and the number of cases, this was not deemed material to the analysis which was focused on the current balance sheet/ underwriting portfolio.	Potential losses from plausible scenarios would be negative for P&L but are not outsized relative to other risks (eg natural catastrophes). External counsel review of pollution exclusions targeted to S2987's Specialty book (including Energy) was used to support scenario analysis.	Analysis was based on in-force business.

We've conducted Climate Change Risk scenario analysis as part of the annual ORSA process and took part in the PRA's Climate Biennial Exploratory Scenario (CBES) testing exercise in 2021.

Principle 3 – lead in the identification, understanding and management of climate risk

Our established framework helps us identify key climate-related risks, so that we can monitor the market and internal developments.

Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments).

Risk

Brit's Risk Management Framework (RMF) deals with how risks are identified, measured, managed and monitored. This process lets us protect policyholders and maximise shareholder value by making sure the risk and capital implications are well understood.

The RMF has the following key elements:

a) **Identification**: Risk events, risks and relevant controls are identified and classified. This process considers any emerging and existing risks. The risk register sets out the significant risks we face and identifies the potential impact and likelihood of each risk.

b) **Measurement**: Risks are assessed and quantified, and controls are evaluated. This is done through stochastic modelling techniques, stress and scenario analysis, reverse stress testing and qualitative assessment using relevant internal and external data.

c) **Management**: The information we get from risk identification and measurement is used to improve how we manage the business.

The RMF also lets us measure and manage risks associated with climate change. We've set appetites and controls across natural catastrophe risk, liability risk and investment risks.

Our emerging risks framework involves:
- Research of key publications.
- Brainstorming of potential emerging risks with key business stakeholders.
- Prioritisation of key risks.

When we've identified a key risk, we monitor the market and internal development. We then use these processes for managing climate-related risks:
- Quarterly monitoring of the metrics by the BSL ROC and Investment Committee.
- Sharing results from scenario analysis such as CBES, litigation risk or ORSA scenarios with relevant committees such as the Underwriting sub-committees and Board.
- The cross-departmental CCRWP meets twice a year to discuss the framework, new findings and department initiatives.

We've set appetites and controls across natural catastrophe risk, liability risk and investment risks.

In addition, the following metrics are reported to the BSL Board, CCRWP (and other committees such as the Underwriting Committee and Investment Committee as relevant) every quarter:
- Natural Catastrophe risk: Exposure to all perils – 1-in-5, 1-in-30 and 1-in-250. Peril-region exposure at various return periods is also reported to the Underwriting Committee. Modelling is on a BVoR basis which also takes account the impact of climate risk.
- Liability risk: Number of climate change related notifications.
- Investment Risk: Exposure to "high risk" (climate change exposed) industries in Brit's equity and credit portfolio. ESG rating for a significant portion of the corporate credit assets.

In addition, we provide the following metrics every year:
- Equity portfolio ESG rating reported to the Investment Committee.
- Allowance for climate change within natural catastrophe modelling reporting to the Natural Catastrophe Committee.

Underwriting

As mentioned in principle 2, we actively encourage our underwriters to consider the ESG approach of risks within their portfolio. ESG appetite and underwriting considerations are documented in the Underwriting Guidelines and Class Philosophies to encourage due diligence in the underwriting process at a product level, reducing our exposure to businesses which have poor sustainability practices. In the longer term, these will form part of a referral framework which will be used to influence appetite going forward.

Our updated ESG strategy from H1 2023 aims to review the risks we write and/or renew, always considering our ESG principles: We aim to actively provide insurance for clean energies, and for our customers in carbon-intensive industries to have clear and measurable transition plans.

From an underwriting standpoint, we want to understand the ESG standards across our client base. The Energy division provides insurance coverage for both the construction and operational exposures of renewable energy producers through the Renewable Energy Class, which is planning to continue growing in 2023.

As detailed in Principle 2, we encourage underwriters to consider risks and opportunities related to climate-change through two processes. One is their ongoing review of their businesses, the other is through the challenges and advice from their peers during regular Divisional meetings and Portfolio Review Sessions.

In addition, as part of the annual business planning process with Lloyd's, which is managed centrally by Brit's Group Underwriting Services (GUS), in 2023 we submitted an ESG strategy and underwriting framework. As part of the 2024 planning process, we're required to provide an update on our ESG strategy and sustainable underwriting approach. This references:

- Workstreams around Underwriting guidelines
- ESG consideration during the underwriting process
- Prospective employee ESG training
- Engagement with a data provider
- Integration approach model
- Our product offering
- Supporting clients in their climate transition

We continue to back Lloyd's commitment to their ESG statement and core principles – we'll submit the underwriting framework as part of the annual planning strategy submission.

Alongside our regular business planning, we refreshed our ESG strategy earlier this year, with a focus on reducing our impact on the planet and enabling our customers to transition. You can find more details in the top section of this document.

Business planning is a core element of the annual underwriting process and is overseen by the Chief Underwriting Officer, Managing Directors and Class Underwriters.

We've also started working on an ESG questionnaire to assess clients' ESG credentials, which will initially be rolled out for the BCAP consortium, and will then be considered for other classes of business.

- We're also integrating ESG scores from an external data provider into the underwriting processes.
- The ESG scores will guide our portfolio during the first year of implementing the scores, with in-depth analysis during the second year.
- This analysis will be used to optimise risk selection and business mix.
- Further guidance is now expected from Lloyd's in this context in Q3/Q4 2023.

Since our last ClimateWise submission, we have finalised negotiations with an external data provider. We've been ingesting scores across each of the three subsets on risks written from 15th December 2022, using c.300 data points that make up the ESG scores. We can now better understand the composition of the portfolio, as well as look into the drivers behind these scores.

Until June 2023, 1523 out of 2051 risks written on an open market basis and with a unique legal name identifier, have scores and can be analysed further. The 528 risks without ESG scores are due to:

- The risk being processed on our underwriting system before 15th December 2022 – a common occurrence on business starting at 1st January 2023, which is our main renewal policy; or
- No ESG score is available from the data provider – either due to coverage issues or they're a private entity.

The first half of 2023 has been focussed on building the capabilities to supplement the analysis, and understanding how the data provider has scored risks written across various industries. The second half of 2023 will be focussed on undertaking in-depth assessment around:

- What the scores represent for the business as a whole.
- How they vary across the various industry types insured.
- If there is a direct correlation between an ESG score and underwriting performance.
- Building our understanding of the underlying data points and how they influence the scoring.

Our long-term intentions remain the same as those that we communicated as part of the 2022 ClimateWise submission. The scores should help underwriters assess risk, as well as support the underwriting framework through referral rules and appetite guidelines.

Alongside our regular business planning, earlier this year we refreshed our ESG strategy, with a focus on reducing our impact on the planet and enabling our customers to transition. You can find more details in the top section of this document.

Investments

Please reference Principle 2 in terms of the activities around investments, including selecting, measuring, reporting.

Claims

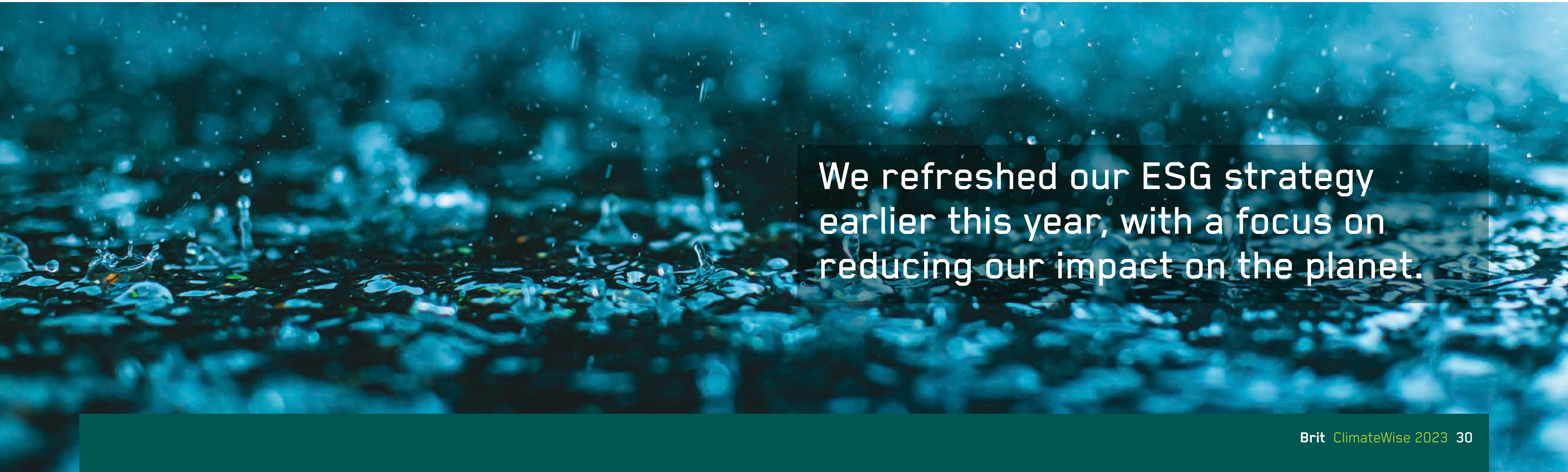
On the claims side we have two streams of work, linking with the broader industry discussion on the topic.

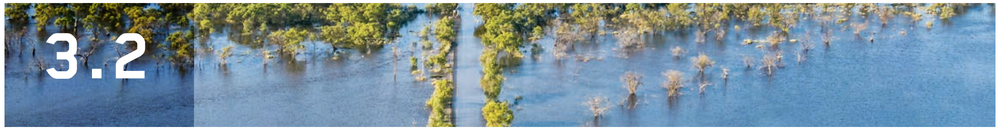
The first is reducing the consequential impact of actually handling physical damage claims after natural catastrophe events. This is driven both by a desire to reduce the time and expense required to handle claims, but also by reducing the need for unnecessary travel, and the environmental impact this has.

Our work with GIC – a not-for-profit organisation – uses detailed 3D imagery to identify which buildings are significantly damaged or indeed total losses, so we don't need to physically be there to settle a claim. It also quickly allows us to identify where several claims in nearby locations could be handled by the same adjuster, reducing the potential for multiple visits.

Secondly, we're involved in discussions around "green claims" to re-build with more environmental awareness. On NAOM claims, we can also offer upgrades to green extensions where we provide "green betterments" on certain claims. This topic has been formally raised in the latest Lloyd's paper so we remain optimistic to discuss our work with co-insurers in the Market.

As mentioned previously, the degree of multi-carrier syndication for the larger risks limits the ability for a player like Brit to act totally unilaterally, but we can still be impactful as a market leader to influence the broader market.





Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.

Our Underwriting teams work with our clients and business partners to understand and mitigate the impact of climate change as we become a low-carbon, environmentally-conscious business.

Examples include:

- Offering products to help our clients with the energy transition, such as through our Renewable Energy offering.
- Our Marine & Energy Liability team is leading the way in the development of hybrid policies covering both traditional and new energy solutions.
- We are committed to simplifying the claims process. This includes dynamic and immediate loss adjustments using drone photography and faster payments.
- The Climate Change Risk Working Party is focussed on collaboratively managing the financial risks from climate change through the risk management framework.
- The PRA CBES stress testing exercise required extensive research and business engagement as follows:
  - The Risk Aggregation team considered numerous scientific studies to understand how climate change could impact the 12 peril-regions in scope (see pages 5 – 8 of CBES 2021 Phase I results deck.pdf).
  - The investments team considered how Brit's current asset portfolio could be impacted by looking at exposure by industry type (see pages 11 – 13 of CBES 2021 Phase I results deck.pdf).
  - The ERM team engaged with underwriters and in-house counsel to understand how contract wordings could respond to the PRA climate change litigation scenarios (see pages 15 – 16 of CBES 2021 Phase I results deck.pdf).
- Brit's current and future management actions for managing climate change-related risks and opportunities were also articulated as part of CBES (see page 20 of CBES 2021 Phase I results deck.pdf).
- Separately, we engaged external counsel to review contract wording within the Specialty division to consider how they might respond to various climate change litigation scenarios.
- Climate change risks are captured within the ORSA and discussed at the EC and Board Level, with feedback loops into underwriting for any ideas or new proposals.

Our underwriters are responding to growing levels of queries about the role Brit can play.

Lloyd's NZUWTK

We've been working with Lloyd's on their Net Zero Emissions scoring framework, taking part in the pilot scheme. The pilot involved gathering emissions data on sample accounts in an attempt to calculate an overall transition score. This is a key plank of Lloyd's plans around monitoring and overseeing syndicates' transition journeys.

New products and partnerships

Across all classes, we are aware that ESG is becoming increasingly important and ask our clients to update us on their ESG policies. Across the business, we have undertaken various initiatives to align ourselves to the broader Lloyd's market, as well as implementing specific measures/products that will support this transition. We continue to review our product offerings to ensure they promote improvements in ESG standards. For example:

- **Renewable Energy**: Continues to provide coverage for renewable energy producers, which is planning to continue growing in 2024.
- **FI and D&O**: The team are using external data platforms which contain financial and ESG information about prospective clients. ESG scores are reviewed and factored into the underwriting decision process.
- **Cargo**: The team are insuring more green energy power plants, including solar, wind and hydro plants.

Our involvement on the "Joint Natural Resources Committee" is important as it has proven a focus for ESG discussions within the LMA (Lloyd's Market Association) community. It is the area that most directly impacts the underwriting landscape and the products and services that are being offered to clients. Due to the subscription nature of most of the large risks written at Lloyd's, Brit can have more influence by working on cross-market initiatives like this than by taking unilateral steps.

Carbon offsets

As we continue to develop our decarbonisation pathway, and until we have decarbonised our operations, we will be investing in nature-based solutions and carbon offsets to make up for some of our environmental impact. During the last three years, we've partnered with ClimateCare to offset carbon emissions from air travel, hotel stays and utilities. In February 2023 we offset 1,997 tonnes of CO2 emissions across following projects:

- Bondhu Chula Stoves, Bangladesh
- Kasigau Corridor REDD+, Kenya
- Mudbrick Rocket Stoves, Malawi

In addition, we also partnered with Ecologi on a tree-planting initiative. For every policy written with Ki, Ecologi plant 10 trees. As of June 2023, we have planted over 160,000 trees through this partnership.

Principle 4 – reduce the environmental impact of our business

In recognition of our environmental responsibilities we continually seek to improve the sustainability of our business. In 2022 we have continued to focus on greenhouse gas (GHG) reduction, carbon management, recycling and staff engagement.

Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these have on our business.

Since 2021, Brit's Procurement team have worked to identify and reduce our environmental imprint by:

- Streamlining our supply chain.
- Minimising our carbon footprint – business activities, global premises, waste management and energy use.

When engaging suppliers we follow these principles:

- We ask all material vendors supplying goods and services to continuously improve the environmental and sustainability elements of their product. We make sure they fully understand the implications and the way their services are provided to Brit.
- We value the environmental, corporate and responsibility impacts of a process. These are reflected in our best practices and are considered when choosing suppliers, throughout their onboarding, and ongoing as we work with them.
- We periodically ask all vendors to submit their ISO accreditations and environmental and corporate responsibility policies, along with evidence of how they promote them internally.
- We send our ESG report to all vendors every year – and we ask them to send us theirs. This will become a non-negotiable part of our vendor assessment criteria.
- Building off the lessons learnt during home-working, paperless communication is now strongly encouraged internally and with all vendors. This is being extended to travel booking and expense management.
- When outsourcing providers, an ESG questionnaire is part of the due diligence. Operational process failure relating to outsourcing providers is considered as part of the risk register review.

Disclose our Scope 1, Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognised standard.

Brit's offices are in The Leadenhall Building, which won the PFM Sustainability award in 2020. The building achieved ISO14001 certification with an outstanding score in 2019. Since then, there has been a continuous set of initiatives. These are driven by the combined efforts of tenants (including Brit), building management and the landlord.

Since 2021, Savills, our estate agent, calculated our scope 1, scope 2 and scope 3 building-related emissions. In 2022, we aligned Brit's greenhouse gas emissions to Streamlined Energy and Carbon Reporting (SECR) disclosures:

	2022		2021	
	kWh	GHG (CO2 tonnes)	kWh	GHG (CO2 tonnes)
Scope 1 (**note 1**)	1,113,902	203	601,996	111
Scope 2 (**note 2**)	965,285	197	690,711	177
Scope 3 (**note 3**)	-	-	-	-
Total before offset	**2,079,187**	**400**	1,292,707	288

Note 1: Includes gas purchased for Brit's UK office, data supplied by the building manager.

Note 2: Includes electricity purchased for Brit's UK office, data supplied by the building manager.

Note 3: In 2021 and 2022, Brit had minimal emissions from business travel in rental or employee-owned vehicles.

We have not yet calculated our Scope 3 emissions and are looking to do so in the near term, starting with our operational scope 3 emissions. The new Insurance-Associated Emissions Standard states that per the Greenhouse Gas Accounting Protocol underwriting is an optional note for scope 3 emissions for insurers.

Recycling and Waste

We encourage recycling and reducing plastic in the office. Across our offices in London and Bermuda, we recycle plastic and since 2020 we've stopped buying plastic straws and stirrers. We've also phased out single-use plastic bags and polystyrene. In London, where single-day cups are used, we have ensured they are made from reused materials to encourage our employees to be more environmentally aware and climate conscious. During 2022 we renovated our staff kitchens to increase the number of dishwashers, allowing a meaningful move from disposable cups.

During 2022, we worked hard to improve our recycling rates:

Recycling activity	2022	2021
Recycled paper waste*	0.01t	5.1t
General waste to energy recycling	7.1t	4.2t
Recycled glass	1.3t	0.36t
Recycled cardboard	1.9t	1.7t
Recycled food waste	4t	0.48t

* This is largely due to the uptake of SharePoint and more digital working compared to previous years.

Brit's offices are in The Leadenhall Building, which won the PFM Sustainability award in 2020.

Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Catering

We work closely with our suppliers to raise awareness around sustainability. We use The Good Eating Company (TGEC) for our business dining and internal hospitality – they're committed to the principles of sustainable food procurement. It recognises it's important that farming communities are supported and able to contribute to their supply chains. TGEC have run a number of education campaigns around waste and meat emissions. They're playing an important role providing more sustainable food options, including vegetarian and vegan days, and using only reusable or compostable packaging.

IT

We've reduced IT equipment on desks and removed desk phones – lowering energy usage. We also improved how we manage monitors when not in use. Everyone now has a laptop with Microsoft Teams, so they can use text, calls and video calls to speak to internal and external stakeholders worldwide. This reduces the need to commute to offices and to travel domestically or internationally.

Travel

The global Brit travel policy encourages booking lower carbon-intensive flights and restricts business class travel to flights longer than 4 hours. We emphasise to our staff why this is important.

We have a long-term relationship with a travel provider for centralised booking and reporting of business travel. They also deal with duty of care requirements to travellers. Using a travel provider makes sure we're not at risk of engaging with airlines not featuring on the EU Air Safety list or using third party platforms that could compromise Brit travellers in any way. We regularly engage with our travel provider, Fello, to track and calculate air-travel-based emissions.

In 2022, we saw an increase in travel-related emissions as we returned to normal travel patterns following COVID19 and a strong desire for employees to resume face-to-face interactions with key internal and external stakeholders.

In 2022, business travel amounted to these CO2 emissions, in tonnes:

	2022	2021
Business travel – air	1,498	218
Business travel – hotels	39	10
Business travel – other	2	–

We'll continue to focus on all these areas and constantly review employee-proposed opportunities such as the Cycle to Work Scheme. We have worked closely with building management to identify solutions to the loss of bicycle spaces at ground level.

Engage our employees on our commitment to address climate change.

Helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate informed choices outside work

In June 2023 the ESG committee was signed up to an ESG training course hosted by Learning Hub and Skillcast. The curriculum covers an overview of sustainability and ESG, including modules on the Paris Agreement, carbon offsetting, Net Zero and living more sustainably. An all staff roll out of our new strategy and ESG essentials is planned for Q3 and Q4.

Environmental Volunteering Day

We have a strong track record of people doing charity days at Brit. Our 2023 budgeting includes support to allow 100 Brit staff the opportunity to take part in environmental charity days with HandsOn London (https://www.handsonlondon.org.uk/).

By bringing Brit employees together to support the environment and climate action, this helps reinforce the message that we all have to make climate-informed choices inside and outside of work.

Principle 5 – inform public policy making

We're dedicated to promoting and actively engaging in the public debate about climate action and sustainability in our industry.

Promote and actively engage in public debate on climate-related issues and the need for action.

Brit is dedicated to promoting and engaging in the debate about climate action and sustainability with our insurance peers. Brit has representatives on:

- ClimateWise.
- Fairfax ESG community.
- Lloyd's Pilot for developing its NZUWTK (Net-zero Underwriting Toolkit).
- Joined Lloyd's disaster risk facility.

Fairfax ESG Community

Brit is a leading member of this community, created in 2021, working with our parent company Fairfax to collaborate and discuss ESG strategy across the Fairfax Group. As part of this, each Fairfax company completed a survey to help form ESG direction across the group. The need for climate-related action was a catalyst for this collaboration and the basis of initial discussions. The Fairfax ESG Working Group was created to work with policy makers internationally, developing and maintaining strategies that take climate risk into consideration.

In addition, Brit also contributed to Fairfax's second ESG report at the end of 2022.

Working with Regulators

- Brit took part in the PRA's CBES stress testing exercise in 2021. The results from this directly support the Financial Policy Committee (FPC) and Prudential Regulation Committee (PRC) in their statutory objectives as noted in the findings shared with the industry on 21.05.22.
- Brit also participated in an interview with the PRA's Insurance Climate Specialism in 2021 to articulate its strategy to meet the SS3/19 expectations.
- Brit regularly participates in Lloyd's thematic reviews on topical issues such as the impact of climate change. Responses help inform Lloyd's view on best practice.
- In 2022, Brit will also be contributing to the PRA's industry-wide General Insurance Stress Test which includes a focus on natural catastrophe risk, the most material risk impacted by climate change in this context.
- In H1 2023, Brit undertook a company-wide PRA questionnaire. The responses set out how we've embedded the management of climate-related financial risks into the business, with reference to governance, risk management, scenario analysis and disclosure.

Roundtables and Conferences

Brit staff also stay up-to-date and engaged with the industry and ESG agenda by attending industry events and conferences throughout the year.

Other thought leadership

Black & Veatech Climate Case Study

In 2022, Brit also supported Black & Veatch alongside global broker Lockton, to shine a light on their present and future sustainability projects. Black & Veatech are an engineering and construction company building green energy solutions for industry through their large-scale renewable utility projects. In a published video case study, B&V's team, alongside their Brit and Lockton counterparts, discussed their present and future sustainability projects, including innovation across the transport sector, energy supply networks and developing alternative energies such as hydrogen, as well as how the insurance sector can play a role in supporting this innovation.

As well as clearly communicating our own ESG strategy with our stakeholders on the Brit website, there's also dedicated space for thought leadership around sustainability in the insurance sector. Through this thought leadership, we share insights, learnings, and opportunities for the insurance industry in future energy, and energy transition, such as the opportunities presented by wind.

Brit is dedicated to promoting and engaging in the debate about climate action and sustainability.

Principle 6 – support climate awareness amongst our customers/clients

We've made great progress this year by effectively communicating to our customers and clients through our website and social media channels.

Communicate our beliefs and strategy on climate-related issues to our customers and/or clients.

We're passionate about communicating with our customers and clients. We've made great progress this year by effectively communicating our climate-related beliefs, thought leadership and strategies on our website and social media channels.

Brit Website

We have a dedicated ESG page on our corporate website. The ESG page educates our customers and clients on our key ESG objectives, especially when it comes to the environment and climate change. The page quite clearly states our position on ESG and has content including Brit's ESG strategy and Brit's ClimateWise membership and link to the yearly external report.

We've recently signed off our updated ESG strategy and respective short and long-term targets, which we expect to publish on our website and make available as a downloadable pdf for our clients.

Brit ESG Statement

Brit signed off on an updated ESG statement in 2023, which is included at the top of this document. This allowed a consistent message to communicate to our customers and clients our stance. and objective when it comes to ESG. It has proven useful both to satisfy simple requests from third parties and as the basis for more detailed discussion.

Inform our customers and/or clients of climate-related risks and provide support and tools so that they can assess their own levels of risk.

We try to help our clients to understand and navigate climate-related risk depending on the size and sophistication of the client. Conversations around climate risk are constantly raised in client meetings, but with our larger and more sophisticated clients, we are more in a position to probe and learn, rather than offer advice.

We continue to engage with our suppliers to enhance their climate disclosures and research. This includes working with our natural catastrophe modelling software providers (AIR) to ensure they appropriately allow for climate change within their modelling. Brit has also engaged with our investment managers to develop climate change-related reporting and metrics.

Our key stakeholders, as identified by the Board, are set out below, together with why and how we engage with them and the outcomes of that engagement.

Clients and Intermediaries		
Why we engage	**Form of engagement**	**Impact of engagement**
We work with brokers and partners to share expertise and deliver a seamless service for our clients. As a specialty insurer, almost 100% of Brit's business is distributed via intermediaries. Engagement and building strong relationships with them is crucial for us to source business and deliver the best service and products for our clients. Intermediaries also provide a range of services to Brit, for which we remunerate them via brokerage and commissions.	Any new intermediary is subject to a robust on-boarding process. Brit underwriters engage with intermediaries in a number of ways, including in person and electronically. To maximise our intermediary relationships, Brit has entered into Board-approved strategic partnership agreements with seven of our largest brokers, covering over 65% of our GWP. Under these agreements, Brit pays an annual fee, which gives access to a range of services.	Broker surveys consistently highlight Brit's efficient client engagement, and proactive communications. By engaging with clients and intermediaries we provide a risk service that helps clients not only prepare for but manage and mitigate the risks they face. By building stronger and deeper relationships with our intermediaries, we believe we put ourselves in a stronger position to quickly take advantage of new opportunities and understand and satisfy changing customer needs.
When a client has a claim, their life or business has been disrupted, or even put in peril, they expect their insurance to deliver. It is our responsibility to fulfil that commitment. At Brit, we see every claim as an opportunity to help our clients move forward.	When a client has a claim we engage directly with them or their intermediary to ensure their needs are met. Following a major loss event, we instigate additional measures including 24/7 contact with claims administrators, and swiftly establishing dedicated loss funds.	Engagement with our clients, intermediaries and other service providers after an event reinforces our provision of a risk service that helps people not only move on from an event but helps them to move forward rapidly with confidence.

table *continued*

Reinsurers

Why we engage	Form of engagement	Impact of engagement
Brit purchases reinsurance to help manage risk, reduce volatility, enhance earnings, control aggregations and create capital efficiency. We also engage when we make recoveries.	Brit uses its appointed brokers for the majority of reinsurer interactions, allowing us to benefit from their expertise. Brit also engages directly with reinsurers. These tend to be with our largest reinsurance counterparties.	This engagement allows Brit to access up-to-date market information and a broad range of reinsurance counterparties and products, thereby effectively managing its risk appetite. When we make recoveries, this engagement helps to expedite the process.

Investment managers

Why we engage	Form of engagement	Impact of engagement
We manage the assets which support our underwriting and ensure that clients' claims can be paid. We manage those assets with a long-term view and aim to maximise return while controlling the level of market risk. We implement our investment strategy using the expertise of investment managers and we engage with them to monitor their performance, to ensure terms of the investment management agreements are met and to gain additional insights.	We have regular discussions with our managers to monitor performance and assess the outlook for investment markets. We also receive regular written investment reports. We have regular and ad-hoc discussions to review new investment opportunities. We also perform annual due diligence on their operational processes. Investment managers regularly present to the Board and Investment Committee Board.	Engaging with our investment managers makes sure that assets are managed within our risk tolerances and guidelines, and that any changes are implemented quickly. Insights from our investment managers enhance our strategy and performance. Engagement allows us to discuss new opportunities, helps us understand their approach to ESG issues, validates the sustainability of our portfolio and helps us confirm assets are managed robustly and with effective controls in place.

Capital providers

Why we engage	Form of engagement	Impact of engagement
Working with third-party capital providers on Ki and Syndicate 2988, creates the opportunity to increase Brit's footprint and proposition to clients. Engagement with third-party capital providers also supports our growth strategy for those vehicles.	Brit regularly engages with the third party capital providers on Ki. It also engages with current and prospective providers ahead of an underwriting year, to market Syndicate 2988, and to understand investor appetite. After an underwriting year starts, we formally meet each provider regularly to discuss performance, outlook and any other relevant matter.	The successful implementation of the Ki and Syndicate 2988 strategies is dependent on developing strong relationships with third-party investors. Such engagement helps facilitate this. The insight we gain from interactions and feedback helps us ensure that our propositions can continuously evolve in line with investor appetite.

table *continued*

Members		
Why we engage	**Form of engagement**	**Impact of engagement**
Our aim is to provide long term sustainable value for our shareholders, Fairfax (86.2%) and OMERS (13.8%). Engagement ensures that our objectives are aligned and that our strategy, operating environment and performance are clearly understood.	Both of Brit's ultimate shareholders are represented on the Brit Limited Board and there is regular contact between Brit executives and senior management and those of our majority shareholder.	This engagement helps ensure that Brit's strategy is aligned to and supported by our shareholders. It also presents us with underwriting and investment opportunities, including collaboration with other members of the Fairfax group.

Regulators		
Why we engage	**Form of engagement**	**Impact of engagement**
Regulators are key stakeholders and Brit's Board is pro-active in ensuring that we meet regulators' expectations around compliance, transparency and aligning the business with regulators' objectives. Brit engages with regulators to ensure that: • We understand their regulatory objectives and how they apply to Brit. • Regulators have a proper understanding of Brit's business model, strategy and risk appetite, and how they align to regulatory objectives.	Brit engages with its principal regulators through: • Regular meetings between supervisory teams, key decision-makers and authorised staff at Brit, including Directors. • Sharing key business updates and internal documents to ensure regulators have a thorough understanding of Brit's business. • Responding to thematic reviews and information requests. • Engaging with Lloyd's across the business including around business planning and compliance. • Ensuring the Board is kept up-to-date on regulatory matters as communicated by regulators.	Engagement with regulators impacts Brit through: • The Periodic Summary and Close and Continuous supervision approach by the PRA, lets us respond promptly on any concerns or focus areas. • Engagement on thematic reviews and information requests enables Brit to contribute to regulators' understanding of the market. • Brit's regular engagement lets us proactively plan our response to areas of regulatory focus, eg operational resilience. • Engagement helps us meet the prudential and conduct standards required by regulators. • Directors and employees understand their regulatory responsibilities.

table *continued*

We're passionate about communicating with our customers and clients.

Suppliers

Why we engage	Form of engagement	Impact of engagement
Supply chain integrity is critical as we rely on a number of key suppliers of goods and services to help us meet the needs of our customers and other stakeholders. On-going engagement helps us ensure that those needs are met and that the standards set by those suppliers meet Brit's criteria. Such suppliers include providers of IT systems, claims management, professional services, facilities and travel providers.	Brit determines the risk of the potential engagement by investigating the potential spend value, criticality of the services to be provided. Brit has a rigorous onboarding process for new suppliers. We have strong partnerships with a number of critical suppliers, fostered by a range of activities including ongoing dialogue and meetings. We also engage with key suppliers in areas such as technical and product roadmaps, integration planning and disaster recovery.	Such supplier engagement enables us to: • Provide a better service to, and satisfy the needs of, our stakeholders. • Enhance current operational processes, leading to better efficiencies and increased competitive advantage. • Comply with appropriate laws and regulations. • Improve our technological resilience; and • Ensure the robustness and integrity of our suppliers, such as their compliance with the Modern Slavery Act 2015.

In addition, we may give rate discounts to clients who have strong responses to managing climate-related risks. It's often the case that we decline to offer certain coverage if answers are unsatisfactory.

Risk Management Services

We offer Risk Management Services to clients to reduce both the likelihood and severity of incidents.

- As an example, this includes the provision of ~2.5% of premium towards engineering survey fees in our Property D&F book. While there is no specific requirement for a climate-related angle on the surveys, this is both increasingly likely to come up in the surveyor's approach and may be a requirement to formally apply in the future.
- Similarly, our Private Client product includes surveys and appraisals which, where appropriate, will talk about climate-related risk to their assets and steps to reduce that risk.
- Camargue offers a big suite of risk management services and education to brokers and stakeholders around the South African market. It's a big and unique part of their offering.

Principle 7 – enhance reporting

Insurers have a critical role to play in all aspects of ESG.

Submission against the ClimateWise Principles.

Key elements of Brit's progress against the ClimateWise Principles are included in our Annual Report. From 2020, our climate-related financial disclosures have been aligned to those recommended by the TCFD and our aspiration to be transparent on ESG related topics. This is still true in 2023.

Public disclosure of the ClimateWise Principles as part of our annual reporting.

We published an external summary of our 2021 ClimateWise report. This covered all the principles but excluded commercially confidential elements. This is actively referenced on our website, alongside our published ESG statement (https://www.britinsurance.com/culture/esg) and is available for download. We plan to do the same with the 2023 report following submission to ClimateWise.

In addition, our annual report also includes a section on ESG and climate.

writing the future

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